

**EDUCATION MARKET
OPPORTUNITY ANALYSIS**

INPUT

D E C E M B E R 1 9 8 9

EDUCATION OPPORTUNITY ANALYSIS



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Preface:

Important Note to Readers of this Report

Readers of this report should be aware that this is only one of thirteen vertical industry reports developed by INPUT for Moore IDS. These vertical reports, in turn, are followed by a final cross-industry report that serves the central mission of this project: to provide market opportunity recommendations that will help Moore IDS to focus strategically on a very limited number of high-value opportunities—whether within a single industry or across several.

Therefore, readers of this report should keep in mind several considerations while reviewing the findings presented here:

- To serve the central mission of helping Moore IDS to achieve strategic focus on a limited number of market opportunities, INPUT has applied a tight screening process to the applications examined in each vertical industry. The selection criteria targeted mission-critical, high frequency, repetitive variable-imaging applications that would represent an ongoing base of predictable revenue, as opposed to the current mix of ad hoc, project-oriented overflow work with peaks and valleys of a less predictable nature.
- Due to this tight screening process, readers may find that these vertical reports fail to mention certain applications, even though they represent currently viable Moore IDS revenue sources.
- Finally, recommendations presented in this single-industry report must be recognized by readers to be somewhat out of context:

- An opportunity that looks excellent—relatively—within a single industry may turn out to be dwarfed by applications in other industries.
- An application that looks to be of minimal attractiveness in a single industry may prove to be closely paralleled in several other industries—in such a way that together they constitute a preeminent cross-industry opportunity.

INPUT discusses such findings in the cross-industry report. Note that these cross-industry recommendations are the primary objective of this project, and thus they supersede those of the individual vertical market reports. The final cross-industry report should be examined for such perspective by any reader of this single-industry report.

It is hoped that this note will help readers place these findings in the proper perspective, especially in cross-referencing this single-industry viewpoint with the final report's cross-industry findings and recommendations.

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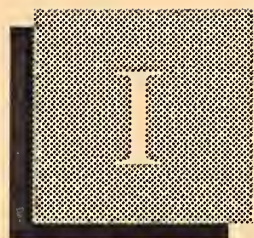
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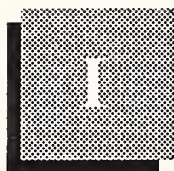
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Introduction





Introduction

A

Objectives

INPUT has conducted this research to meet objectives agreed upon with Moore Business Forms' Information Distribution Services Division (Moore IDS). See Exhibit I-1.

EXHIBIT I-1

Education: Key Research Objectives

- Evaluate business opportunities for both basic and enhanced services
- Achieve focus on leading opportunities
- Assess sales and delivery requirements
- Provide data for cross-industry evaluation

To most effectively meet the objective of providing Moore IDS with a comprehensive evaluation of opportunities in the higher education sector, a fundamental distinction is made between basic and enhanced application service opportunities in Exhibit I-2.

EXHIBIT I-2

Education: Service Opportunities

- **Basic services** ("Moore IDS Business Today")
 - Variable-image printing or embossed cards plus related mailing services such as stuffing, sealing, metering, sorting and post office delivery
- **Enhanced services** ("Moore IDS Future Business")
 - Basic services, as defined above, when integrated with any value-added front-end or back-end services, typically of information services content (e.g., data base management) but also including other business services (e.g., lockbox)
 - and/or
 - All-electronic solutions as a replacement for, or supplement to, paper-based business communications (e.g., electronic data interchange)

B**Scope**

Agreements between INPUT and Moore IDS regarding the scope of the research to be conducted included the education market segments to be covered and the sizes of institutions to be interviewed (see Exhibit I-3).

EXHIBIT I-3**Education:
Market Segmentation**

- Market segments covered
 - Public 4-year colleges and universities
 - Public 2-year colleges
 - Private 4-year colleges and universities
 - Private 2-year colleges
 - Professional and technical schools
- Market segments excluded
 - Institutions with fewer than 1,000 enrollment
 - K-through-12 public and private schools
- Size of institution contacted
 - 1,000 to 5,000 enrollment
 - 5,000 to 10,000 enrollment
 - 10,000+ enrollment

1. Selection of Type of Institution To Be Surveyed

In order to test the assumption that business mailing needs differ significantly based upon size and type of school, different sizes and types of institutions were surveyed. First, institutions were divided into twenty-four categories, based upon type of institution and enrollment. Next, the percent of enrollment in each of the types of institutions was ascertained (see Exhibit I-4).

Institutions with under 1,000 enrollment were eliminated, based upon a joint decision that business mailing volumes might be too small to be attractive to Moore IDS.

EXHIBIT I-4

Education: Institutions of Higher Education Percent of Total Enrollment, 1985

Size of Organization	4-Yr. Institution	2-Yr. Institution	Prof. and Tech.	Total
Public			3	3
<1K	0	1		1
1-5K	4	9		13
5-10K	7	8		15
10K+	27	13		40
Subtotal	38	31	3	72
Private			9	9
<1K	2	1		3
1-5K	8	1		9
5-10K	3	0		3
10K+	4	0		4
Subtotal	17	2	9	28
Total	55	33	12	100

From Exhibit I-4, a proportional number of the twenty scheduled interviews was calculated to reflect the representative proportions in each cell (see Exhibit I-5). These figures were then revised to reflect the decision to conduct 3 to 4 interviews in different departments within at least 3 representative institutions (see Exhibit I-6). Once the basic departments common to all educational institutions were surveyed, efforts were then concentrated in the areas which needed the greatest amount of research.

EXHIBIT I-5

Education: Institutions of Higher Education Proportional Number of Interviews

Size of Organization	4-Yr. Institution	2-Yr. Institution	Prof. and Tech.	Total
Public			1	1
<1K	0	0		0
1-5K	1	2		3
5-10K	1	1		2
10K+	5	3		8
Subtotal	7	6	1	14
Private			2	2
<1K	0	0		0
1-5K	2	0		2
5-10K	1	0		1
10K+	1	0		1
Subtotal	4	0	2	6
Total	11	6	3	20

EXHIBIT I-6

Education: Institutions of Higher Education Revised Number of Interviews

Size of Organization	4-Yr. Institution	2-Yr. Institution	Prof. and Tech.	Total
Public				
<1K	0	0	0	0
1-5K	0	1	0	0
5-10K	3	2	0	7
10K+	4	4	0	7
Subtotal	7	7	0	14
Private				
<1K	0	0	0	3
1-5K	3	0	3	3
5-10K	0	0	0	0
10K+	0	0	0	0
Subtotal	3	0	3	6
Total	10	7	3	20

2. Selection of Educational Institutions To Be Surveyed

Moore IDS and INPUT agreed that because of the breadth of applications which were critical to schools, at least three schools would be selected and surveyed in depth to ascertain the proportion of primary mailings in key departments. Applications which were not common to all institutions would be surveyed in a manner which would yield the greatest information.

Based upon this selection method, the schools selected for this survey were: (Exhibit I-7)

EXHIBIT I-7

Education: Higher Education Institutions Surveyed

Size of Organization	4-Yr. Institution	2-Yr. Institution	Prof. and Tech.
Public			
<1K	none	none	none
1-5K	none	Prairie State (IL)	none
5-10K	Eastern Washington Univ (WA) Sonoma State (CA)	Edison CC (FL)	none
10K+	Penn State Univ (PA)	Citrus College (CA) Golden State CC (CA) Santa Rosa CC (CA)	none
Private			
<1K	none	none	none
1-5K	Rice Univ (TX)	none	Tri-County Tech College (SC)
5-10K	none	none	none
10K+	none	none	none

3. Selection of Departments and Applications

Each department within educational institutions is virtually autonomous, the mission-critical applications are different, and the business mailings are different. Because each institution has many major departments, the first step in determining which departments were most critical was to examine the major sources of revenues (see Exhibit I-8). It was assumed that departments which contributed greater amounts of revenue and departments which spent greater amounts of revenue would be considered critical to the school.

From Exhibit I-8 it appears that state funds provide almost half (45%) of public institutions' revenues. Sales and services provide 20%, and tuition an additional 15%.

EXHIBIT I-8

Education: Sources of Revenues for Educational Institutions, 1985-1986

Source	Public (Percent)	Private (Percent)
Tuition and fees	14.5	38.6
Federal Government	10.5	16.5
State Government	45.0	1.9
Local Government	3.6	0.6
Private Gifts	3.2	9.3
Endowment Income	0.6	5.3
Sales and Services	20.0	23.4
Other	2.6	4.3
Total	100.0	100.0

Private schools derive their revenues from four principal sources: tuition (39%), sales and services (23%), the federal government (17%), and fundraising (private gifts 9.3% and endowment income 5.3% = 14.6%).

If revenue is the sole determinant of critical applications, fee billing would be the most critical mailing in public institutions and fee billing and alumni mailings would be the most critical mailings in private institutions.

A logical second step to test this assumption was to determine if there were criteria, other than revenue sources, which determined the importance of business mailings to schools. To do this, high-level administrators from selected institutions and from professional associations were contacted and asked to name the key criteria and the most critical mailing operations to the school. The following criteria were mentioned, as summarized in Exhibit I-9:

- Four-year institutions named 10 types of applications: admissions and recruitment; financial aid; loan payments; registration, grade reports; fee billing; athletic ticket sales; alumni fund raising mailings; alumni direct mail offerings of trips, services and collegiate products; and continuing education offerings.

EXHIBIT I-9

Education: Mission-Critical Applications

Criterion	4-Yr. Institution	2-Yr. Institution and Prof. & Tech.
Direct relationship to school's primary directives: to attract the finest students, to impart knowledge and to measure achievement levels (grades)	recruitment and admissions, registration, grade reports, transcripts, commencement instructions and diploma	recruitment and admissions, registration, grade reports, transcripts, commencement instructions and diploma
Financial transactions	fee billing, financial aid applications, loan payments, housing, food service, parking registration	fee billing, financial aid applications, loan payments, housing (private coll. only) food service (priv. coll. only) parking registration
Non-credit courses	continuing education conferences	community educ'n courses
Sources of additional revenues	athletic tickets, alumni services, alumni solicitations, development	athletic tickets (private only) corporate solic'ns (not P&T) donor solic'ns (not P&T) alumni solic'n (private only)

- Two-year institutions named 8 applications, of which the first six are the same as those mentioned by four-year institutions plus two additional applications: fund raising from local businesses and donors; and community education course offerings.
- Professional and technical institutions named 6 applications, all of which are the same basic applications mentioned by four-year and two-year institutions.

EXHIBIT I-10

Education: Primary Mission-Critical Applications

Application	4-Yr. Public	2-Yr. Public	4-Yr. Private	2-Yr. Private	Prof. and Tech.
Admissions					
Recruiting Pkgs	x	x	x	x	x
Scheduling Visits	x	x	x	x	x
Admit Letters	x	x	x	x	x
Registrar					
Student Schedules	x	x	x	x	x
Grade Reports	x	x	x	x	x
Housing	x		x	x	
Food Service	x		x	x	
Parking Permits	x	x	x	x	x
Transcripts	x	x	x	x	x
Diplomas	x	x	x	x	x
Bursar					
Itemized Fee Billing	x	x	x	x	x
Financial Aid					
Award Letter	x	x	x	x	x
Loan Repayment	x	x	x	x	x

Based upon the information gathered from high-level officials, applications were divided into two classifications: primary applications common to all institutions, and secondary applications unique to a certain type of institution. The applications which were investigated are listed in Exhibits I-10 and I-11.

EXHIBIT I-11

Education: Secondary Mission-Critical Applications

Application	4-Yr. Public	2-Yr. Public	4-Yr. Private	2-Yr. Private	Prof. and Tech.
Alumni					
Magazine/Newsltr	x		x	x	
Homecoming Invit	x		x	x	
Travel Offers	x		x	x	
Ballots	x		x	x	
Directory	x		x	x	
Survey	x		x	x	
Development					
Alumni Solicit'n	x		x	x	
Corporate Solicit'n		x			
Donor Solicit'n	x	x	x	x	
Ticket Sales		x		x	
Non-Credit Courses					
Commun Ed'n		x			
Continuing Ed'n	x		x		

C**Methodology**

To conduct this research, INPUT applied a standard, proven methodology for interview-based custom research, shown in Exhibit I-12.

EXHIBIT I-12**Education: Research Methodology**

- In-person informational and test interviews
- Development of draft telephone questionnaire
- Telephone discussion with Moore IDS education sector marketing manager
 - Vertical market report outline
 - "Ideal" application profile
 - Industry segmentation
 - Draft questionnaire revision and development of second questionnaire for high level interviews and trade association executives
 - Target interview audience and segment allocation
- Telephone interviews
 - "Cold calls" to find appropriate interviewee in each educational institution department
 - "Networking" as required to secure interviews
 - "Cold calls" to industry executives for overview of the market
- Analysis and report writing

The research project began with in-person informational interviews with Moore IDS managers and test interviews with select Moore IDS customers, including one college alumni director, conducted by the project manager. The first draft telephone interview questionnaire resulted, revision of which was discussed with the Moore IDS education sector marketing manager.

That conversation also set the stage for the telephone-interviewee sourcing methodology. First, a list was made from the *HEP 1990 Higher Education Directory* of appropriate personnel to call within the target institutions. A “cold call” was made to each individual. The official’s office sometimes suggested another individual who was more familiar with the day-to-day operations of data management and mailing. In some cases a network of from 1 to 5 people was required to finally locate the correct individual, with an average route covering 3 people.

The primary applications were found to be consistent among all types of institutions contacted. This information was confirmed and amplified by two executive directors from professional associations. However, the secondary applications varied so widely in scope of activity, even within the same type and size of institutions, that four industry executives were contacted for their overview of alumni and development activities, non-credit activities within continuing education, and athletic ticket sales.

Interviewing Statistics:

- Nine colleges contacted “cold”
 - From one to four departments within each institution were contacted
 - No individuals’ names or references were provided by Moore IDS
- 70 calls made
 - Secured 24 interviews
 - 3 officials were contacted but were either so unknowledgeable about their area or so pressed for time, that the interview was unprofitable and the interviewer curtailed the interview and discarded it from consideration in the results
 - An average of 3 contacts (range: 1 to 5) were required to determine the appropriate party

In several cases, two interviews were required to collect adequate information for a single application because job titles and tasks were narrowly defined or overlapping. For example, alumni affairs, development and public relations are sometimes under the auspices of one office, and sometimes run as three separate entities. They may share the same or largely the same mailing list, the same design services, and communications may be sent in the same envelope to a single recipient.

Although INPUT attempted to survey a representative cross-section of officials at various levels, the individuals who could provide answers to the questions were: Directors of administrative departments (14), Managers or Supervisors responsible for a specific function (6), or Executive Directors of professional associations (4). The final interviewing sample by application is shown in Exhibits I-13 and I-14. Exhibit I-15 shows the interviewing sample by type of institution.

EXHIBIT I-13

Education: Interviewing Sample for Primary Applications

Function	Title	Institution	Type of Institution
Overview	Supervisor Mailing and Addressing Services	Penn State University	4-Yr, public, 10K+
	Public Relations Director and Business Services Director	Santa Rosa Comm College	2-Yr, public, 10K+
	Executive Director	Amer Assoc of Commun and Jr Colleges	trade association
	Executive Director	NACUBO	trade association
Recruiting/Admissions	Director of Admissions	Eastern Washington Univ	4-Yr, public, 5-10K
Registrar	Registrar	Tri-County Technical Coll	Prof. & Technical, 1-5K
	Program Manager	Eastern Washington Univ	4-Yr, public, 5-10K
Bursar	Student Receivable Supvsr	Eastern Washington Univ	4-Yr, public, 5-10K
Financial Aid	Assoc Dir, Financial Aid	Rice University	4-Yr, private, 1-5K
	Manager, Repayments	Penn State University	4-Yr, public, 10K+

EXHIBIT I-14

Education: Interviewing Sample for Secondary Applications

Function	Title	Institution	Type of Institution
Overview	Executive Director	Council for Advancement and Support of Education	trade association
	Director of Development	Edison Commun College	overview of development and alumni affairs in 2-yr colleges
	Director of Research and Data Processing	Natl Collegiate Athletic Assoc	trade association
Alumni	Exec Dir, Assoc of Alumni and Public Relations Dir	Rice University	4-Yr, private, 1-5K
Development	Director, Development & Community Relations	Prairie State Comm Coll	2-Yr, public, 1-5K
	Director, Development	Sonoma State	4-Yr, public, 5-10K
	Director, Development and Admin Asst to the President	Citrus College	2-Yr, public, 10K+
	Annual Fund Director	Rice Univerity	4-Yr, private, 1-5K
Athletic Ticket Sales	Ticket Manager	Penn State University	4-Yr, public, 10K+
Community Ed'n	Community Services Operations Manager	Golden State Comm Coll	2-yr, public, 10K+
Contin Ed'n	Director, Contin Edn, Public Information and Pub Relns	Penn State University	4-Yr, public, 10K+
	Executive Director	Natl Univ Contin Edn Assoc	trade association

EXHIBIT I-15

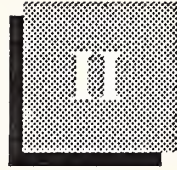
Education: Interviewing Sample by Type of Institution

Type of Institution	Institution	Department
4-Yr, Public 5-10K 10K+	Eastern Washington Univ Sonoma State Penn State University	Recruiting/Admissions Registrar Bursar Development Overview Financial Aid Athletic Ticket Sales Continuing Education
2-Yr, Public 1-5K 5-10K 10K+	Prairie State College Edison Commun College Citrus College Golden State Comm Coll Santa Rosa Comm Coll	Development Overview of Development and Alumni Development Community Services Overview (2 interviews)
4-Yr, Private 1-5K	Rice University	Alumni and Pub Relns (2) Development Financial Aid
Prof'l and Technical 1-5K	Tri-County Technical Coll	Registrar
Overview 2-yr colleges All All All All	Amer Assoc of Commun and Jr. Colleges NACUBO Council for Advancement and Support of Education Natl Univ Contin Edn Assoc Natl Collegiate Athletic Assoc	Overview of Commun Colleges Overview of Bus Mailings and Acceptance of Future Technologies Development and Alumni Continuing Education Athletic Ticket Sales



Executive Overview

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Executive Overview

A

Methodology

INPUT conducted telephone interviews with 24 directors and managers in higher education institutions and executive directors of professional associations. Seventeen of the interviews were with university officials. Most were directors or managers of university or college support departments. Seven interviews were conducted with the executive directors of educational industry associations.

Unlike most vertical markets, higher education institutions are composed of about a dozen autonomous departments, all of which have different critical applications. INPUT focused on the departments which had the largest mailings.

By identifying and interviewing two high-level administrators, one in a 2-year college and one in a 4-year college, a list of departments with large mailings was constructed. Subsequently, all interviewees were asked which departments within their colleges had major mailings. The responses confirmed the suggestions of the two administrators. The departments which had applications which were considered fundamental to all higher education institutions ("primary" departments) were:

- Recruiting and Admissions
- Registrar
- Bursar
- Financial Aid and Loan Repayment

An additional five departments were contacted which, although not common to all institutions of higher education, were sources of mass mailings in at least one type (two-year, four-year, or professional and technical) of institution. These "secondary" departments were:

- Alumni
- Development
- Athletic Ticket Sales
- Community Education (non-credit courses offered primarily at 2-year colleges in evenings and on weekends)
- Continuing Education (non-credit professional seminars offered primarily by 4-year colleges for one to five days on campus)

In addition to being a heterogeneous market, higher education is also a fragmented market. Jobs were sometimes so narrowly defined that two or even three interviews were required within a single department to gather information on the complete mailing process from front-end to back-end.

B

Interviewees' Attitudes

Interview results were consistent. Interviewees were uniformly reluctant to contract any enhanced services and were also reluctant to contract variable printing and mailing functions to outside vendors. Primary reasons cited for the reluctance to outsource variable printing and mailing operations and enhanced services were two-fold: (1) current operations were running smoothly, and (2) the administrators needed to protect confidential information. These reasons were not stated forcefully for printing and mailing operations, but rather, signified a somewhat complacent attitude towards current operations. Attitudes were, on the other hand, stated VERY forcefully concerning enhanced services. Many respondents could think of no situation which would convince them to outsource enhanced services.

Nonvariable printing jobs were outsourced by two-thirds (10 of 15) of the respondents. However, half of the jobs were outsourced to reduce an overload situation, or due to insufficient in-house printing capacity for large jobs. This suggests the timing of half of the outsourced printing projects is not predictable. In addition, 40% of the respondents have plans to bring projects back in-house as PCs and data bases are added.

Only three respondents reported any problems with operations. All problems involved data base maintenance. Only half of the respondents had even a short "wish list" of improvements. Their concerns were the updating and upgrading of data bases and PC equipment.

Future enhanced service "fantasies" included: adding PC-based data bases to their departments, linking departments via data bases, transmitting more bulk data, adding an artificial intelligence program to screen applicants' essays, transmitting data instantly to alumni, getting

up-to-date information on address changes for their constituents, and acquiring direct mail expertise. It is significant to note that half of the respondents could not respond to the question concerning future fantasies because they did not have sufficient knowledge of other options.

Higher education officials approached the inventions of the information age with a great deal of trepidation about the unknown and virtually no enthusiasm for the new levels of efficiency they could achieve, because they did not understand the benefits that could be realized.

These administrators seemed satisfied with or at least willing to put up with current equipment and staffing limitations, despite the fact that at least one office was still using a hand-cranked postage machine. When there was a proactive plan to increase efficiency, the solutions included bolstering in-house facilities, not contracting out.

In sum, satisfied people usually do not make changes, and this fairly risk-averse group would need a very compelling reason to risk changing the status quo.

C

Leading Basic Application Opportunities

INPUT identified twenty-eight business communication applications in the higher education market, which account for approximately 1.3 billion annual pieces of mail. (See Exhibit II-1.) These applications were examined for their attractiveness to Moore IDS in terms of future business opportunities based on several criteria. Three criteria in particular were considered most critical: determination by Moore IDS that the application is one on which they would bid; potential revenue per year; and willingness by the client to outsource.

Exhibit II-2 summarizes these three characteristics for the 13 applications which Moore IDS found to be attractive opportunities. Of the original 28 applications, only 13 applications were considered attractive by Moore IDS. Of these 13, only three applications are currently outsourced by higher education departments: alumni directories, alumni surveys, and athletic tickets. Alumni directories is one of the largest applications and accounts for 25% of expenditures for all 13 attractive applications. The potential revenues are high because the cost per unit is much higher (\$35) than for any other application (average of \$.33). Alumni surveys account for approximately the same percentage of expenditures as alumni directories.

A third application, alumni solicitation letters, is so critical as a major source of revenues to many alumni and development departments, that there may be a good chance it will be outsourced in the future if outsourcing significantly increases revenues for the institution.

EXHIBIT II-1

Education: Key Applications

Department	Key Application
Admissions	Recruiting Letter Recruiting Brochure Scheduling Visits Admit Letters
Registrar	Student Schedules Grade Reports Housing Transcripts Diplomas/Commencement Instructions
Bursar	Itemized Fee Billing Food Service Parking Permits
Financial Aid	Award Letter Loan Repayment
Alumni	Magazine/Newsletter Homecoming Invitation Travel Offers Ballots Directory Alumni Survey
Development	Alumni Solicitation Corporate Solicitation Donor Solicitation
Athletic Ticket Sales	Season Ticket Renewal Bowl Ticket Subscription Ticket Mailing
Community Education	Class Schedule
Continuing Education	Direct Mail Solicitations

EXHIBIT II-2

Education: Summary of Thirteen Attractive Applications

Application	Size (\$ MM)	Moore IDS Opportunity	Willing to Outsource
Recruiting Letter	12.3	YES	NO
Postcard Reminder of Campus Visit	10.6	YES	NO
Registration Reminder	8.0	YES	NO
Grade Reports	31.0	YES	NO
Housing Assignment	3.2	YES	NO
Itemized Fee Billing	10.1	YES	NO
Financial Award Letter	10.5	YES	NO
Loan Repayment	17.4	YES	NO
Ballots	13.4	YES	NO
Alumni Directory	80.0	YES	YES
Alumni Survey	88.0	YES	YES
Alumni Solicitation Letter	31.2	YES	MAYBE
Athletic Season Tickets	8.7	YES	YES
Total Size	324.4		

D

Leading Enhanced Application Opportunities

In addition to printing and mailing, or basic services, a complete system for mailings includes enhanced services such as front-end and back-end services. Front-end services include maintaining the overall data base of information required for mailings. Back-end services are usually required following a mailing and involve processing a payment or a registration form.

There are at least 1.3 billion front-end transactions required to support the printing and mailing operations of the higher education market and about 520 million back-end transactions. Despite this large potential market, none of the respondents (0 of 15) currently contract out any enhanced services, nor do they intend to in the future. The reasons given for

keeping enhanced services in-house are threefold: to ensure current operations continue to run smoothly, to maintain control and to protect the confidentiality of data.

When asked to reveal their fantasies concerning improved operations, only 8 (half) of the respondents were able to conjure up a response. The lack of response was due to an unfamiliarity with other options. Even when prompted to respond to specific enhanced solutions, the respondents rejected such current-day options as OCR/bar code, electronic transfer of funds, and use of telephone symbols as being “unfeasible” or “too futuristic”. This is not a surprising finding, considering many of the respondents are just implementing their first departmental PC and independent data base.

The interviewees suggested enhancing office efficiencies (data base capabilities, deliverability of mail, additional expertise in direct mailing functions, automatically screening applicants) (5 mentions), and transferring data instantly (2 mentions). All fantasies are feasible with current technology. Of the seven enhanced services suggested by respondents, none appear to provide significant opportunities for Moore IDS.

Several reasons may account for the dearth of enhanced opportunities in this market. First, there was no evidence of a consumer-oriented concept to provide more convenient services to constituents, provide better vehicles for delivering services, or use technology to streamline or improve services. Second, the major trend cited in this market was the continuing crunch for funds in the support departments. The Catch-22 here is that although support departments may desperately need to increase office efficiencies, they are the least equipped do to so because of the lack of funds. Thirdly, the administrators who head the university and college support departments have a very limited knowledge of available alternatives and a limited understanding of how electronic solutions work. They are risk-averse and suspicious of “far out” solutions.

E

Basic and Enhanced Application Opportunity Size

Typically developed market forecasts are deemed inappropriate for this project. Instead, a methodology was applied to develop rough opportunity sizing measures for quantitative comparison of these applications. This is a measure of total latent potential expenditures for the service without regard to rate of adoption, in-house versus external solutions, competition, or other factors deemed unrealistic to measure (see Exhibits II-3 and II-4).

EXHIBIT II-3

Education: Basic Applications Sizing

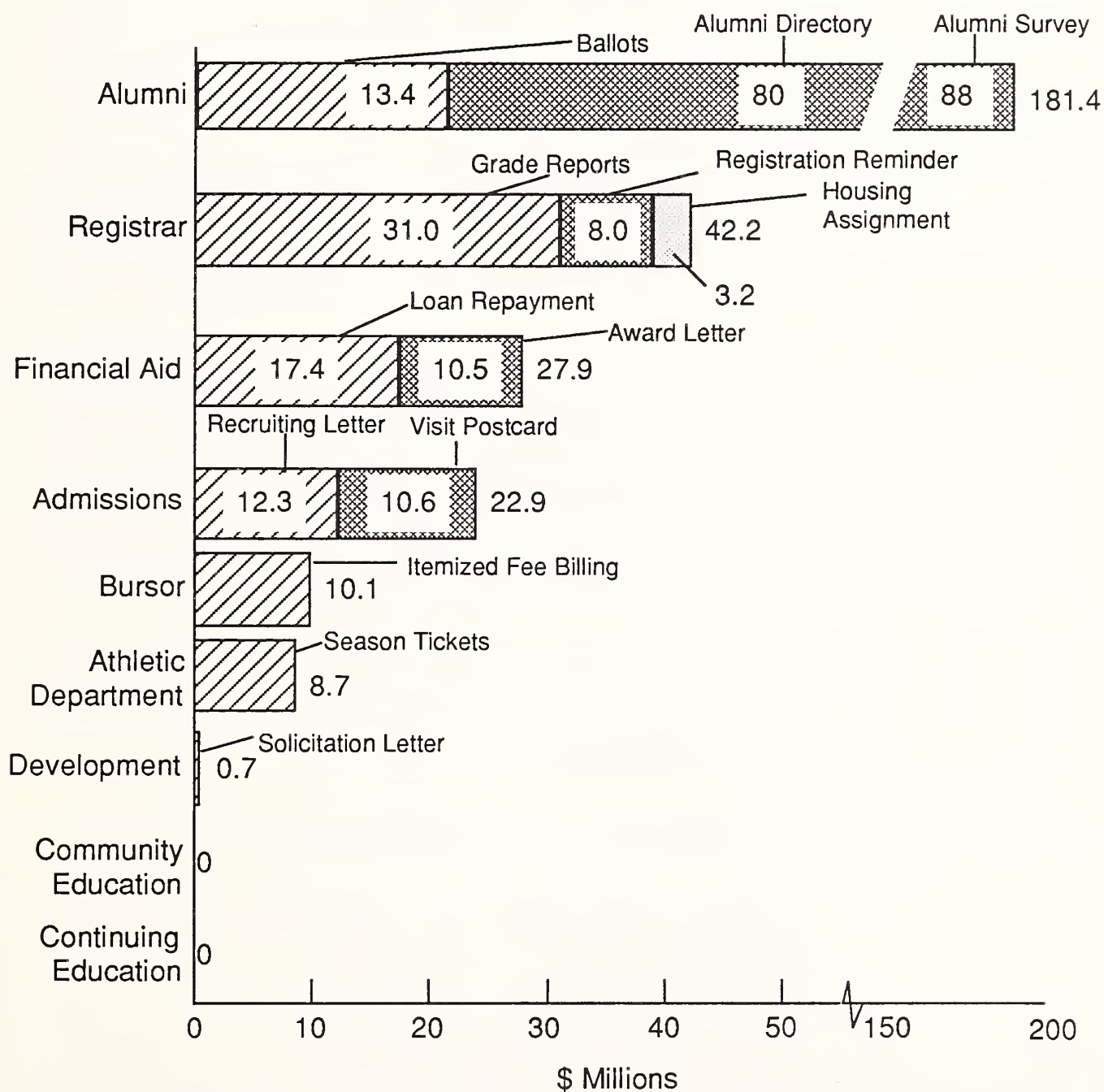


EXHIBIT II-4

Education: Enhanced Applications Sizing

None identified

F**Application
Opportunity
Attractiveness**

Exhibits II-5 and II-6 use a standard rating methodology to factor the basic and enhanced opportunity sizes calculated with two other key criteria derived from the interviews: respondents' willingness to contract services, and their level of "pain" or problem, with respect to each application.

A five-point rating scale is applied to each criterion, where a "1" indicates a rating that is least attractive while a "5" indicates a positive or very positive rating. By rating each of the criteria and then multiplying the ratings (the multiplication shown in the tables is a "Size x Willingness to Outsource x Level of Pain of Problem"), the product is a "Relative Rating Value" that represents the overall attractiveness to Moore IDS, in a fashion that combines the quantitative opportunity-volume sizing with the other two essentially subjective criteria.

The only basic application with significant potential for Moore IDS is alumni directories. Two other applications, donor solicitation letters and athletic season tickets, were the only other applications to achieve more than a minimum attractiveness rating.

Basic Application	Attractiveness Rating
Alumni Directory/Survey/Ballots	10
Alumni Solicitation Letter	4
Athletic Season Tickets	2
Remaining 6 Departments	4
Total for Basic Services Market	<u>20</u>

No enhanced applications showed promise.

The highest attractiveness rating for any application is 125 (5 x 5 x 5), or for the 28 individual basic applications examined, a total of a 3,250 possible points. Therefore, individual ratings ranging from 1 to 10 (out of 125) and a total rating of 20 for the sector (out of 3,250) indicates there may be limited opportunity in basic services in the higher

EXHIBIT II-5

Education: Relative Attractiveness Ratings of Basic Services Opportunities

Application Opportunity		Criteria Ratings 1 = negative; 5 = positive			
Department	\$ Millions	Relative Size	Willing to Outsource	Level of Pain	Attractiveness Rating
Admissions					
Recruiting Letter	12.3		1	1	
Recruiting Brochure	0.0		4	1	
Scheduling Visits	10.6		1	1	
Admit Letters	0.0		1	1	
Subtotal	22.9	1	1	1	1
Registrar					
Schedules	0.0		1	1	
Registr'n Reminder	8.0		1	1	
Grade Reports	31.0		1	1	
Housing	3.2		1	1	
Transcripts	0.0		1	1	
Diplomas	0.0		1	1	
Subtotal	42.2	1	1	1	1
Bursar					
Itemized Fee Billing	10.1		1	1	
Food Service	0.0		1	1	
Parking Permits	0.0		1	1	
Subtotal	10.1	1	1	1	1
Financial Aid					
Award Letter	10.5		1	1	
Loan Repayment	17.4		1	1	
Subtotal	27.9	1	1	1	1

Note: Zeros in size column denote those applications excluded by IDS marketing.

EXHIBIT II-5 con't

Education: Relative Attractiveness Ratings of Basic Services Opportunities

Application Opportunity		Criteria Ratings 1 = negative; 5 = positive			
Department	\$ Millions	Relative Size	Willing to Outsource	Level of Pain	Attractiveness Rating
Alumni					
Magazine/Newsltr	0.0		5	1	
Homecoming Invit	0.0		5	1	
Travel Offers	0.0		5	1	
Ballots	13.4		1	1	
Directory	80.0		5	1	
Survey	88.0		5	1	
Subtotal	181.4	2	5	1	10
Development					
Alumni Solicit'n	31.2		2	4	
Corporate Solicit'n	0.0		1	4	
Donor Solicit'n	0.0		1	4	
Subtotal	31.2	1	1	4	4
Ticket Sales					
Season tkt renewal	0.0		4	1	
Bowl tkt subscript	0.0		4	1	
Ticket mailing	8.7		2	1	
Subtotal	8.7	1	2	1	2
Commun Ed'n					
Class schedule	0.0		5	1	
Subtotal	0.0	0	5	1	0.0
Continuing Ed'n					
Solicit'n letters	0.0		1	1	
Brochures	0.0		4	1	
Subtotal	0.0	0.0	1	1	0.0
Total	324.4				20.0

Note: Zeros in size column denote those applications excluded by IDS marketing.

EXHIBIT II-6

Education: Relative Attractiveness Ratings of Enhanced Services Opportunities

Application Opportunity		Criteria Ratings 1 = negative; 5 = positive			
Department	\$ Millions	Relative Size	Willing to Outsource	Level of Pain	Attractiveness Rating
Admissions					
Registrar					
Bursar					
Financial Aid					
Alumni					
Development					
Ticket Sales					
Commun Educ					
Contin Educ					
Total					

No valid opportunities identified

education sector for Moore IDS when compared with other vertical markets. This is primarily due to there only being one moderately strong application in the sector. All other applications were small, highly fragmented applications, with low or infrequent mailing volumes or strong in-house tendencies.

G

Target Audience of the Enterprise Served

Exhibits II-7 and II-8 organize opportunity size and attractiveness measures by the target audience of the applications considered. While this is done for purposes of later cross-industry analysis at the conclusion of INPUT's research project, it is noteworthy now that all applications in the higher education industry deal with customer communications.

H

Recommendations

Alumni directories and alumni surveys pose the greatest opportunities for Moore IDS in the basic services market. These are attractive applications because the per-unit costs are high and institutions are willing to outsource. (See Exhibit II-7.)

All the other basic applications taken together represent only about 52% of the total education market opportunity size. Colleges and universities,

EXHIBIT II-7

Education: Opportunity Size by Target Audience (\$ Millions)						
Type of Service	Target Audience					Total
	Owners	Employees	Customers		Suppliers	
A. Basic			Business	Consumer		
				Registrar (\$42.2)		
				Bursar (\$10.1)		
				Financial Aid (\$27.9)		
				Admissions (\$22.9)		
				Alumni (\$181.4)		
				Development (\$.7)		
				Ticket Sales (\$8.7)		
Subtotal				(\$293.9)		(\$293.9)
B. Enhanced						
Total						(\$293.9)

for the most part, are unwilling to contract out these applications. They also see no problems with the systems they currently have. Moore IDS is faced with the further difficulty of having to sell these services to six different departments. This fragmentation may create basic service markets too small to permit a reasonable return on investment.

The enhanced services of increased data base capabilities, deliverability of mail, additional expertise in direct mailing functions, screening applicants and instant data transfer were suggested by respondents. Each of

EXHIBIT II-8

**Education:
Opportunity Attractiveness by Target Audience
(Attractiveness Rating Scores)**

Type of Service	Target Audience					Total
	Owners	Employees	Customers		Suppliers	
A. Basic			Business	Consumer		
				Registrar (1)		
				Bursar (1)		
				Financial Aid (1)		
				Admissions (1)		
				Alumni (10)		
				Development (4)		
				Ticket Sales (2)		
Subtotal	-----	-----	-----	-----	-----	(20)
B. Enhanced						
Total						(20)

these options was examined for potential in the higher education market via a series of constructed scenarios.

Although feasible with current technology, few offices employ these enhanced services and few respondents were willing to adopt or out-source them in the future. Limited budgets and limited knowledge on the part of decisionmakers makes this a very difficult market in which to educate clients and to introduce new enhanced services.

I**Future Promise of
the Market**

The underpinnings of the higher education market militate against any new application, other than alumni directories and possibly alumni solicitations, becoming a significant one for Moore IDS because frequency of service is low (many applications are processed only 2 to 4 times a year), the cost of service is low (most services are under \$.40), outsourcing is done sporadically and involves unattractive jobs to Moore IDS, and the perception of the "level of pain" of the problem were exceptionally low for almost all applications.

One reason this market may not present as robust opportunities as other vertical markets is that the major mailings which involve variable imaging are **not at the core** of the university's mission. Under this circumstance, these departments have very limited budgets with which to employ sufficient staff and equipment, and there is little attention paid to them. They are not agents of dynamic change in their environments. They are viewed as performing perfunctory clerical functions.

There is an unusually strong resistance to new technology, because administrators simply don't understand and don't feel comfortable with the new technologies.

The one bright spot in this market is the increasing importance of revenues raised via direct mail and telephone solicitation campaigns in college alumni and development offices. This may provide greater opportunities for Moore IDS in the future. Moore IDS's strengths are well-suited to the demands of this market: knowledge of technology options, expertise in formulating a strategic program; and ability to offer a total program to clients, including creative services, data base management, and variable-image printing and mailing services.

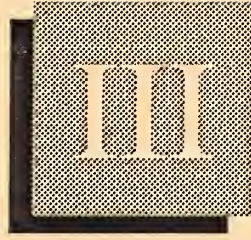
Despite the energy and enthusiasm development directors exude, they are still working with antiquated equipment and poorly developed data bases. They are not knowledgeable about technological options and, at any rate, see themselves as being in the people business, not the electronic business. Given the still limited budgets, it is difficult to determine how Moore IDS might *profitably* serve this client population. Moore IDS might be able to help development departments develop successful strategies by recognizing the key strengths of the college, identifying key constituencies, developing programs and services tailored to these constituencies, and maintaining constant contact with the constituencies. Once these strategies are formulated, the client may understand the role additional Moore IDS services can serve in achieving their goals.

K**Competition**

As has been mentioned previously, there is little use by those interviewed for outside vendors for their respective applications. The critical competition for Moore IDS, both for basic and enhanced service opportunities, is the in-house organization. All organizations have or are in the process of upgrading in-house data base capabilities and systems equipment and software. Contracting out tasks would undermine the rationale for making major investments in new equipment.

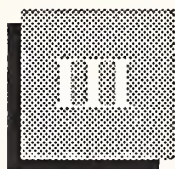
Some interviewees mentioned that even if their own departments could not handle an entire task, they had a second line of backup. They relied on the printing and mailing capabilities of the central university facility. Thus, in the higher education sector, Moore IDS has a strong competitor: in-house organizations.

The only other type of competitors mentioned were local firms which stuffed and sorted the bulk mail.



Market Opportunities





Market Opportunities

Numerous application opportunities for Moore IDS have been examined. Before discussing these opportunities, however, it will be useful to first summarize the findings about the use of vendors by higher education institutions today, as well as attitudes about future use of vendors. Problems and future improvements will also be discussed.

A

Introduction

1. Current and Future Use of Vendors

Three interviews were conducted with executives who had an overview of business mailing operations for their colleges, six interviews were conducted with trade association executive directors, and 15 interviews were conducted with college administrators who had specific responsibility for the business mailing operations within their department or division.

Exhibit III-1 shows the frequency with which university officials out-source business mailing operations. Findings about the use of vendors were consistent across departments and across institutions. Ten of the 15 (66%) department directors currently use outside vendors. The printing functions which are contracted are nonvariable print brochures (recruiting materials, alumni magazines, community education course catalogs, invitations to fund raising events) and nonvariable print business forms (admission applications, athletic ticket request forms, billing invoices). Only one respondent contracts a small variable printing job, mailing labels, to a local contractor. Some of the 15 education officials contract sporadically, only when in-house facilities are overloaded (4 responses) or when the job exceeds a minimum run (1 response).

The departments which contract all or part of the final mailing operations are in the development and alumni area and in community education—departments which have autonomous budgets.

EXHIBIT III-1

Education: Number of Departments Reporting Outsourcing (Frequency of Mention)

Operation	# Departments
Basic Operations	
Printing of nonvariable data	10
Stuff, sort, mail	2
Stuff, sort, mail, print or affix labels	3
Enhanced Operations	
Front-end operations	0
Back-end operations	0

None of the 15 respondents contract front-end or back-end operations outside of the university.

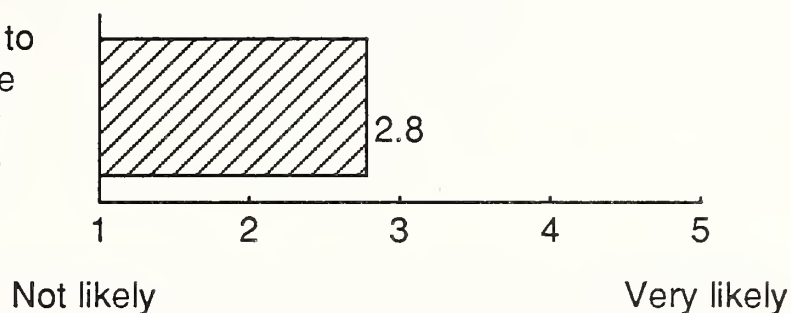
When respondents were queried about their future plans for using vendors for printing and mailing operations, 60% of those who were contracting out printing and mailing functions planned to continue to do so. Forty percent of those who were currently using a vendor were considering bringing the operations in-house. The respondents who were not currently contracting out any operations were unlikely to contract out any in the future.

Six of the 15 respondents said they would consider contracting outside for printing and mailing services (4= "5", 2="4"). Four of the ten respondents mentioned they were trying to bring printing operations back in-house (responses: "4" and 3 "1"s). Four respondents, who currently do not use a vendor, answered they would be unlikely to use a vendor in the future (all responded "1", unlikely). One respondent was "not sure" what his future plans were (see Exhibit III-2).

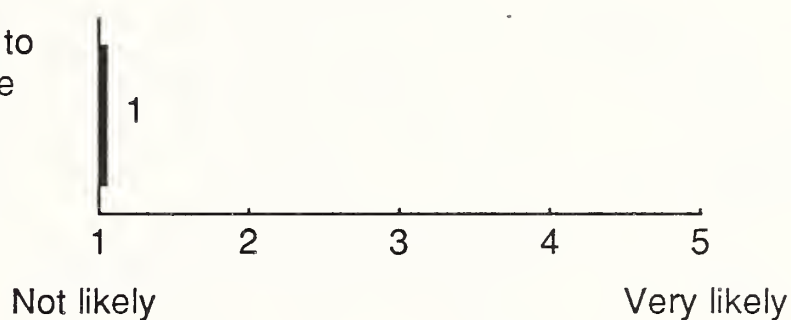
EXHIBIT III-2

Education: Future Outsourcing

"How likely are you to outsource any of the printing and mailing operations we have been discussing?"



"How likely are you to outsource any of the front- or back-end operations we have been discussing?"



Note: 15 of 15 of the ratings were 1 - "not likely".

Exhibit III-3 summarizes the reasons advanced for not contracting out basic services. The respondents who were not using vendors were luke-warm in their refusal to do so. They simply were content to go along with what was working successfully for them ("let's not rock the boat, let's not make additional work for ourselves by exploring other options when this option is working perfectly well.")

EXHIBIT III-3

**Education: Reasons Against Future Outsourcing in
Basic (Printing and Mailing) Operations
(Frequency of Mention)**

Category	Reason	# Responses
Optimal Operations	Current operations running smoothly	2
	Costs are already low	2
	Sufficient in-house capability	2
	Large pool of cheap labor	1
Control/Security	Sensitive data will not be secure	1
Miscellaneous	Previous experience with contractors: always a screw-up	1
	Tradition	1
	Alternatives available: university services or state services	1

This complacent attitude was remarkable considering the sometimes archaic equipment being used (including a hand-cranked postage meter) in some offices. Only one office mentioned they were planning to install a laser printer. It became apparent that most respondents were unaware of other equipment or service options.

The major reasons cited in favor of contracting printing and mailing operations were:

- short staffed (4 mentions)
- reduce overload situation (3 mentions)
- insufficient in-house printing capacity for large jobs (2 mentions)
- take advantage of zip + 4 discount rates (1 mention)
for large mailings

With the advent of easy-to-learn and easy-to-implement desktop publishing systems, several of the respondents felt that outsourcing would be reduced in the future.

In contrast with printing and mailing operations, none of the respondents currently contracted out front- or back-end services and all responded they were very unlikely to do so in the future (response="1") (see Exhibit III-2). Reasons cited for not using vendors for enhanced (front- or back-end) operations are summarized in Exhibit III-4.

EXHIBIT III-4

**Education: Reasons Against Future Outsourcing in
Enhanced (Front- and Back-End) Operations
(Frequency of Mention)**

Category	Reason	# Responses
Optimal Operations	Current operations running smoothly	5
	Have sufficient and competent in-house staff	4
	Can provide quicker response to requests for information in-house	3
	Costs are lower than outside contractor	1
Control/Security	Confidential data will not be secure	6
	Must maintain control of valuable information or large amounts of money	2
	Need to see and sign every piece of mail that goes out	1
Job Security	Would eliminate my job if contracted out	1

None of the respondents were using vendors for front- or back-end operations. All were determined in their refusal to do so for one of three reasons: (1) they did not see any reason to even examine the decision because the in-house operations were running smoothly; (2) they felt that the confidentiality of student records, donor histories, or billing information needed to be protected; or (3) they felt that the need to provide rapid response to their constituency required in-house operations.

The reluctance to examine outside options was remarkable considering the often laborious processes that archaic equipment forced the respondents to use (e.g. one office was using a data base which did not have a find or a sort capability).

No reasons were cited in favor of contracting front- or back-end operations.

With the advent of improved data bases which can be run autonomously in each department on PCs, and the increasing availability of systems which feature ease of data entry, revisions and updating, respondents felt that their commitment to in-house operations would be even stronger in the future as their jobs became easier.

2. Problems and Improvements

Only one of the 15 respondents reported experiencing any major problems in their basic operations, printing and mailing functions: maintaining the data base (see Exhibit III-5). When prompted further, only 7 of the 15 interviewees (about 50%) reported areas in which they would like to make improvements. Only 4 respondents have plans to significantly change their in-house capabilities over the next few years. These changes all involve going from a mainframe to a PC environment and in so doing, assuming responsibility for data base management activities which were previously performed in other university departments.

Twelve of the 15 respondents reported no major problems in their enhanced (front- and back-end) operations. The major problem shared by all 3 respondents who mentioned they had a major problem was data base management and maintenance. Their proposed solutions were to add staff and equipment.

3. User Needs/Outsourcing Summary

In sum, the respondents were all **satisfied** with the current operations of both basic and enhanced services. Most respondents said they had no major problems and only half had plans for any type of improvements. This vertical market seems to enjoy a steady state of workload, with some offices anticipating a gradual and predictable increase over the next several years. **There is virtually no "level of pain" here.** They seem to accept whatever minor problems they have as inevitable when working with computers. Likely responses will be minor additions of staff and equipment. The university officials contacted did not have a high degree of knowledge or sophistication with respect to outside services or new equipment available to help them with their tasks. This made them even more reluctant to evaluate new options. Two words seem to describe the market: status quo.

EXHIBIT III-5

**Education: Problems and Improvements
in Basic and Enhanced Services
(Frequency of Mention)**

Category	Problem/Improvement	# Responses
Data base	Need Data Base Improvements	
	Improve ease of updating mailing list	5
	Improve ease of data entry functions	2
	Collect more information on constituency for future sales	1
	Construct targeted mailing lists	1
	Purchase new software	1
	Add 'find' and 'sort' capability	1
Equipment	Need Equipment Upgrade	
	PC environment	1
	Desktop publishing	1
	On-line capability	1
	Automatic mailing equipment	1
	Fax transcripts	1
Labels	Print labels straight	2
Staffing	Insufficient staffing	1

University officials do not seem to have strong feelings one way or another about contracting printing and mailing operations out. In fact, 40% of those who are currently using a vendor are seriously contemplating bringing the operations back in-house. On the other hand, university officials are adamant in their refusal to contract front- and back-end operations out.

The major anticipated change in some offices was the gradual increase in volume of workload. There is a very steady state of workflow operating in higher education offices.

The implications of these findings are two-fold: (1) satisfied people usually do not make changes. They need a compelling reason to risk changing the status quo; and (2) the addition of equipment and staff connotes a continuing commitment to in-house operations, rather than the evaluation and utilization of outside resources.

B

Leading Application Opportunities

1. Basic Services Opportunities

a. Characteristics of Key Basic Applications

Twenty-eight business communication applications in the higher education market, which account for approximately 1.3 billion pieces of mail, were identified (see Exhibits III-6 and III-7). These applications are routinely mailed to several constituencies: prospective students, current students, alumni, current and prospective donors, and members of the community who participate in college-sponsored activities.

The 28 applications were examined for their attractiveness to Moore IDS in terms of future business opportunities based on several criteria. Three criteria in particular were considered most critical: determination by Moore IDS that the application is one on which they would bid; potential revenue per year; and willingness by the client to outsource.

Exhibit III-8 summarizes these three characteristics for the 13 applications which Moore IDS found to be attractive opportunities. Of the original 28 applications, only 13 applications were considered attractive by Moore IDS. Of these 13, only three applications are currently outsourced by higher education departments: alumni directories, alumni surveys, and athletic tickets. Alumni directories and alumni surveys are the largest application and account for 52% of potential use for all 13 attractive applications. The size is high because the cost per unit is much higher (\$35 and \$3.50, respectively) than for other applications (average of \$.33).

A third application, alumni solicitation letters, although not outsourced currently, is so problematic to many development departments that there may be a good chance it will be outsourced in the future if outsourcing significantly increases revenues for the institution.

EXHIBIT III-6

Education: Characteristics of Key Primary Applications

Department	Key Applic.	# of Yrs.	Characteristics	Variable Information
Admissions	Recruiting Pkg 1	contin for 6 months	personalized letter, brochure, directory of offices on campus, application, instructions	name, address, date, ID number (on letter and mailing label)
	Recruiting Pkg 2	contin for 6 months	personalized letter from dept., dept. brochures, course offerings, orientation instructions	name, address, date, ID number (on letter and mailing label)
	Scheduling Visits	contin for 6 months	postcard	name, address, ID number, date of visit
	Admit Letters	1-4	personalized letter	name, address, ID number, date, dept.
Registrar	Student Schedules	2-4	self-contained mailer	name, address, student ID #, courses, credit hours, location, time, instructor
	Grade Reports	2-4	self-contained mailer	name, address, student ID #, courses, grades, credit hours
	Housing	1-4	self-contained mailer	name, address, student ID #, dormitory, room #, fees, message
	Transcripts	contin	8 1/2 x 11 sheets	name, address, student ID #, courses, grades, credit hours, message
	Diplomas/ Commencement Instructions	1	8 1/2 x 11 sheets for instructions	name, address, student ID #, dept., degree, date of graduation, messages
Bursar	Itemized fee billing	2-4	self-contained mailer	name, address, ID #, date, amount due, detailed transactions, message
	Food Service	2-12	paper ID card	name, dormitory, ID #, expiration date
	Parking Permits	1-12	paper ID card; sticker	name, ID #, expiration date
Financial Aid	Award Letter	1-4	8 1/2 x 11 1-pg. personalized letter	name, address, date, amount of award, type of award, message
	Loan Repayment	12	coupon book, return address stickers	name, address, amt. owed, loan fund, interest, due date, original principal, present principal, current due, past due, penalties

EXHIBIT III-7

Education: Characteristics of Key Secondary Applications

Department	Key Applic.	# of Yrs.	Characteristics	Variable Information
Alumni	Magazine/Newsltr	1-6	magazine or newsletter 8-pg.	label: name, address,
	Homecoming Invit	1	invitn, reply card, ret envelope	label: name, address, grad year
	Travel Offers	1	gatefold brochure, return card	label: name, address,
	Ballots	1	non-personalized letter, ballot, return envelope	label: name, address
	Directory	1 every 1 to 5 years	8" x 5" directory	label: name, address, grad year
	Survey	1 every 2 years	4-8 1/2" x 11" pgs	label: name, address, grad year
Development	Alumni Solicit'n	1-3	personalized letter with registration form, brochure, and return envelope	label: name, address, giving level, class chairman, message
	Corporate Solicit'n	1-3	personalized letter, brochure, return envelope	name, title, address, date, message, giving level
	Donor Solicit'n	1-3	personalized letter, brochure, return envelope	name, address, date, message, giving level
	Small Misc. Solic'ns	varies	personalized letter	name, address, date, message
	Invitations	varies	invitation and return envelope	label: name, address
Athletic Ticket Sales	Season tkt renewal	1	self-mailer w/return form and envelope	name, address, message, opponent, time, date
	Bowl tkt subscript	1	self-mailer w/return form and envelope	name, address, message, opponent, time, date
	Ticket mailing	1	tickets	name, address, opponent, time, date
Commun Ed'n	Class schedule	3-4	48-pg booklet with course offerings and schedule of events	label: name (sometimes: occupant), address
Continuing Ed'n	Direct mail solicit'ns	varies	4 x 9 brochures, personalized letter, registration form, return	label: name, address, course ID code letter: name, address, date, conference, dates, time, location, message

EXHIBIT III-8

Education: Summary of Thirteen Attractive Applications

Application	Size (\$ MM)	Moore IDS Opportunity	Willing to Outsource
Recruiting Letter	12.3	YES	NO
Postcard Reminder of Campus Visit	10.6	YES	NO
Registration Reminder	8.0	YES	NO
Grade Reports	31.0	YES	NO
Housing Assignment	3.2	YES	NO
Itemized Fee Billing	10.1	YES	NO
Financial Award Letter	10.5	YES	NO
Loan Repayment	17.4	YES	NO
Ballots	13.4	YES	NO
Alumni Directory	80.0	YES	YES
Alumni Survey	88.0	YES	YES
Alumni Solicitation Letter	31.2	YES	MAYBE
Athletic Season Tickets	8.7	YES	YES
Total	324.4		

b. Criteria Used to Select a Vendor

The major criteria which the respondents used to select a contractor were: low cost, quick turnaround, high quality (no mistakes in mailing operations), reliability, and past record. Respondents felt this was a very competitive market and that contractors were "a dime a dozen". Therefore, the criterion that distinguished the vendor who successfully bid for a job was the reputation for giving more service than asked for, such as free design services or paying extra attention to details, or concerning himself with elements of the job which, strictly speaking, weren't his responsibility.

c. Current and Future Outsourcing

i. Current Printing Operations

Ten of fifteen respondents (66%) currently outsource at least some part of their printing volume. *All* but one of these jobs, however, involved nonvariable printing projects (recruiting materials, alumni magazines, community education course catalogs, invitations to fund raising events, admission applications, athletic ticket request forms, billing invoices). Only one respondent contracts a small variable printing job, mailing labels, to a local contractor.

Of the ten responses, four officials contract printing only when in-house facilities are overloaded and one official contracts printing only when the job exceeds a minimum run.

Therefore, the annual volume of variable printing contracted to vendors is substantially less than the market total of 1.3 billion pieces.

ii. Current Mailing Operations

The five departments which contract out all or part of the final mailing operations (stuff, sort, affix or print labels, mail) are in the development and alumni area and in community education—departments which have autonomous budgets.

iii. Future Printing and Mailing Operations

When respondents were queried about their future plans for using vendors for printing and mailing operations, 60% of those who were contracting out planned to continue to do so. Their motivations for contracting (short-staffing, overloaded in-house printing facilities, insufficient capacity to run large jobs) were not expected to change in the near future. Forty percent of those who were currently using a vendor were considering bringing the operations in-house to reduce costs and to assume greater control over the process. These officials planned to bring operations in-house when they purchased desktop publishing systems. The respondents who were not currently contracting out any operations were unlikely to outsource any in the future.

The respondents who were not using vendors were not very adamant in their refusal to do so. They simply were content to go along with what was working successfully for them (“let’s not rock the boat, let’s not make work additional for ourselves by exploring other options when this one is working perfectly well”). They seemed very willing to put up with the inconveniences and frustrations of using outdated equipment and were apparently unaware of improvements that new technology or new equipment might bring to their operations.

Exhibit III-9 summarizes current outsourcing practices and the future possibility for outsourcing printing operations.

EXHIBIT III-9

Education: Current Contracting of Basic Applications

- **Printing Operations**
 - Currently outsourced by 66% (10 of 15) of respondents
 - Four officials (27%) were considering bringing contracted operations back in-house when they acquire desktop publishing capabilities to reduce costs and gain more control
- **Mailing Operations**
 - Currently outsourced by 33% (5 of 15) of respondents
 - Outsourcing may be low due to abundant supply of cheap labor (students) for sorting and stuffing tasks
 - No changes in this ratio anticipated
- **Printing and Mailing Operations**
 - Five officials (33% of respondents) are not currently contracting printing or mailing services and were unlikely to do so in the future

2. Enhanced Service Opportunities

a. Characteristics of Key Enhanced Applications

In addition to printing and mailing, or basic services, a complete system for mailings includes enhanced services such as front-end and back-end services. Front-end services include maintaining the overall data base of information required for mailings. Back-end services are usually required following a mailing and involve processing a payment or a registration form.

There are at least 1.3 billion front-end transactions required to support the printing and mailing operations of the higher education market and about

520 million back-end transactions. Despite this large potential market, none of the respondents (0 of 15) currently contract out any enhanced services, nor do they intend to in the future. The reasons given for keeping enhanced services in-house are threefold: to ensure current operations continue to run smoothly, to maintain control, and to protect the confidentiality of data.

When asked to reveal their fantasies concerning improved operations, only 8 (half) of the respondents were able to conjure up a response. The lack of response was due to an unfamiliarity with other options. Even when prompted to respond to specific enhanced solutions, the respondents rejected such current-day options as OCR/bar code, electronic transfer of funds, and use of telephone symbols as being "unfeasible" or "too futuristic". This is not a surprising finding, considering many of the respondents are just implementing their first departmental PC and independent data base.

The interviewees suggested enhancing office efficiencies (data base capabilities, deliverability of mail, additional expertise in direct mailing functions, automatically screening applicants) (5 mentions), and transferring data instantly (2 mentions). All fantasies are feasible with current technology. Of the seven enhanced services suggested by respondents, none can provide significant opportunities for Moore IDS.

Several reasons may account for the dearth of enhanced opportunities in this market. First, there was no evidence of a consumer-oriented concept to provide more convenient services to constituents, provide better vehicles for delivering services, or use technology to streamline or improve services. Second, the major trend cited in this market was the continuing crunch for funds in the support departments. The Catch-22 here is that although support departments may desperately need to increase office efficiencies, they are the least equipped to do so because of the lack of funds. Thirdly, the administrators who head the university and college support departments have a very limited knowledge of available alternatives and a limited understanding of how electronic solutions work. They are risk-averse and suspicious of "far out" solutions.

This section will focus on enhanced application and service opportunities, primarily the front- and back-end operations of the complete mailing system.

The printing and mailing operations, described above, are only one part of an organization's complete system for mailings. Each department also has a front-end component which is the information system that maintains the overall data base of information required for mailings in general. The front-end system generates the specific information required for a particular mailing.

In addition, a back-end process is usually required following a mailing. This involves the recipient returning a piece of mail such as a registration form or a payment.

As mentioned earlier, there is a large volume (about 1.3 billion pieces) of higher education mail (for other key characteristics, see section B.1.a). For each piece mailed, there is data entered, updated, or maintained in at least one data base on campus with the name, address, and identifying characteristics for each recipient (1.3 billion transactions). There is a back-end component to approximately 40% of the printed and mailed volume, or approximately 520 million back-end transactions.

Four topics will serve to set the stage for projecting enhanced service opportunities: (1) current and future practices of contracting front- and back-end operations that surround the central variable-imaging function; (2) the visualization of an "ideal" system derived from fantasies respondents have about future systems; (3) current practice of ideal future systems solutions; and (4) projected practice of ideal system solutions.

b. Current and Future Outsourcing of Front- and Back-End Activities

Despite the large potential market, none of the respondents (0 of 15) currently contract out front- or back-end activities (see Exhibit III-10), nor do they intend to in the foreseeable future (all 15 responded "1"—very unlikely). The need for control overrides the desire for enhanced capabilities in front-end processing, such as faster data processing, the ability to process greater amounts of data, more powerful data base operations, networking among university departments, and easier data entry operations. No problems or improvements were mentioned with respect to back-end operations.

EXHIBIT III-10

Education: Current Contracting of Enhanced Applications

- Front-End Operations
 - Contracting rejected by 15 of 15 respondents
- Back-End Operations
 - Contracting rejected by 15 of 15 respondents

Feelings about keeping operations in-house were so strong that respondents felt no circumstances existed which would compel them to contract out front- or back-end operations.

c. "Ideal" Future Enhanced Services

In one survey question, respondents were asked about their fantasies concerning improved operations and their concept of the "ideal" system (see Exhibit III-11). Only 8 respondents were able to conjure up a response. The fantasies dealt exclusively with enhanced services, as opposed to basic services. The interviewees suggested enhancing office efficiencies (data base capabilities, deliverability of mail, additional expertise in direct mailing functions, screening applicants) (5 mentions), and transferring data instantly (2 mentions). All fantasies are feasible with current technology.

It is significant to note that half of the respondents refused to comment on this question for two reasons. The directors, by and large, felt unfamiliar with ANY options other than the ones they were currently using. The managers felt office enhancements were strictly the purview of someone with a higher authority (director) or someone with more knowledge of electronics (someone in the computer department).

Of the fantasies mentioned, only two involved requests for outside contractors (provide direct mail expertise, print and mail materials in location of recipients).

d. Current Practice of "Ideal" Enhanced Services

Because very few respondents were forthcoming with enhanced solutions, several alternatives were offered for their comment.

Most electronic-based services suggested to the respondents as potential time-savers (such as OCR/bar code, electronic transfer of funds, and use of telephone symbols to request or provide information over the phone), were rejected as being "unfeasible" or "too futuristic". The respondents felt it would take from 5 to 20 years to reach the stage of adding such capabilities. This is not a surprising finding, considering many of the respondents are just implementing their first departmental PC and independent data base.

Enhanced services were currently being employed in only two situations:

- Bulk data (standardized test scores) were being transmitted via tape from the Educational Testing Service to admissions offices.
- Only one respondent mentioned sorting mail by zip-plus-4-digits to reduce mailing costs.

EXHIBIT III-11

**Education: Basic and Enhanced
Problems/Improvements/Fantasies
Mentioned by Respondents**

Enhanced Service	Specific Application
Add departmental PCs (2 mentions)	Install PCs with the capability to enter and update departmental data without sacrificing ability to access university mainframe data bases in real time
Interdepartmental data base links	Check solicitations which other departments have sent to the same client to eliminate duplications
Bulk data transmissions	Receive standardized test scores from ETS in a form that can be automatically entered into the data base
Artificial intelligence	Automatically screen applications for required courses and grades, test scores, and grammar and content of essay questions
Instant data transmittal	Transmit copy or letter and mailing labels via phone to printers in different cities where alumni need to be contacted and let each vendor print and mail the items pertinent to their locale
Address checker	Check current address before mailing solicitations
Direct mail expertise	Receive information on how to make solicitations more successful

Of the departments surveyed, no enhanced applications were being purchased from vendors at this time.

e. Future Practice of "Ideal" Enhanced Services

The opportunities listed in Exhibit III-11 will be explored below.

The enhanced service most frequently mentioned was the need for autonomous PCs and data bases in alumni and development offices. INPUT attempted to test whether there would be sufficient potential in this application for Moore IDS to pursue it. A hypothetical scenario is described below.

A hypothetical turnkey system for alumni and development offices would consist of a PC computer and peripherals, an off-the-shelf data base software program, and several templates for development office tasks such as mailing list format, fields for entering donor data (such as previous contacts with the donor, previous contributions, and donor participation at various events), solicitation letter formats, and mailing label formats.

Given the very limited budgets in most development offices, the \$10,000 price tag could be daunting. Therefore, INPUT assumes the development department would find one or several donors to underwrite the cost to implement the system (a mini-fundraising campaign). Extensive consulting by Moore to implement the system or to provide advice about direct mail solicitation would not be feasible on limited budgets.

In order to test the feasibility of this proposed system, it was assumed that 20% of the 4-year colleges ($20\% \times 2000 = 400$) and 50% of the 2-year colleges ($50\% \times 1300 = 650$) would purchase the system over a 5-year period ($400 + 650 = 1050$). INPUT feels this assumption reflects the longevity and sophistication of 4-year college development offices and the state of newly opened 2-year college development offices. This enterprise would bring in \$10.5 million (gross revenues) over a 5-year period. This probably does not represent a sufficiently attractive opportunity for Moore IDS, considering investment required, competition and other risk factors.

The second enhanced service mentioned was interdepartmental data base links. As an adjunct to a system like the one described above, data base links might be a valuable added service. As a standalone, INPUT does not feel that this service represents a viable opportunity for Moore IDS.

The third enhanced service, bulk data transmission of test scores, currently travels directly from ETS to admissions offices. This point-to-point solution precludes a third party from participating. There would seem to be limited opportunity for Moore IDS in this area.

The fourth enhanced service suggested is an artificial intelligence application which would screen applicants' essays. Although the technology is currently available, the amount of customization, routine maintenance, and hotline assistance required would put the price of this product out of the reach of all but the most well-endowed universities.

The fifth enhanced service, instant data transmittal, seems at first to be very promising. However, calculations (see Exhibit III-12) reveal that all but a few projects would be too small to be economical.

The feasibility of printing newsletters or personalized invitations or solicitation letters at different U.S. sites depends upon the trade-off

EXHIBIT III-12

Education: Calculations for Data Transmittal Enhanced Service

Enrollment	# 4-Yr. Schools & 2-Yr. Private	# Alumni	# Alumni in 25 Largest Cities
25,000+	50	225,000	6,500*
10,000-25,000	200	70,000	2,000
<10,000	2,000	14,000	400

*Calculation: avg. of 32,000 students in largest 50 schools x 7 (ratio of alumni: students) =225,000 (rounded)

225,000 x 75% (assume 75% of alumni live in large cities) 25 cities=6,500 (rounded) Assumption: Few 2-yr. public schools have active alumni programs.

between the discount of using bulk mail and the cost of preparation and setup for each of 25 separate jobs. That is, if a large (>25,000 enrollment) school could save \$.25 on each piece of mail by sending it bulk rate from 25 local post offices rather than sending all pieces from the main campus, the breakeven point would be a \$1,625 setup and plate charge for each of 25 locations. Of course, there would also be additional tasks for the person responsible for coordinating the printing and mailing of 25 jobs.

The number of potential customers for this service is limited, however, because there are only 50 schools with enrollments over 25,000. The 200 U.S. colleges and universities with enrollments between 10,000 and 25,000 students would have uneconomically sized printing runs for Moore IDS. Therefore, this option, with the assumptions given, is not a feasible one at this time. At some future date, it may be possible to electronically send camera-ready copy which would automatically and magically set itself up on the press. However, it is equally likely that when this day dawns, electronic mail to all residences will be commonplace, and alumni communications will be sent via that route.

The sixth enhanced service, the addition of an address checking capability, was mentioned by alumni and development departments to improve the deliverability of mail. There are currently at least four companies with an entrenched position in this market. This may prove to be a viable

opportunity for acquisition for Moore IDS if it can be leveraged in other vertical markets.

The seventh and final enhanced service, direct mail expertise, was suggested by an administrator in alumni and development affairs. These departments are on such tight budgets that they are seldom able to afford consulting services, printing and mailing, or enhanced services of any kind. However, the concept of direct mail consulting to the institution *at a higher level* (perhaps the Vice President of Finance, the President's Office, or the Policy and Planning Office) may circumvent the problem of insufficient funds. Purchase of a Moore IDS service at this level would have the added benefit of providing coordination for direct mail efforts in various departments.

A hypothetical package of services, including both recommendations for a university-wide basic strategy and the services required to implement the strategy, is described below:

Create Strategy

- | | | |
|--|---|-------------------|
| 1. Survey institution's strengths and weaknesses | } | |
| 2. Identify constituent groups—prospective | } | |
| students, alumni, community donors, | } | 1-2 wks |
| corporate sponsors | } | |
| 3. Survey constituents' needs, requirements, | } | |
| and motivations | } | |
| 4. From steps 1, 2, and 3 identify most | | |
| attractive target groups and most attractive | | 1-2 wks |
| "product offerings" for each viable | | |
| target audience | | |
| | | <hr/> \$15-30,000 |

Provide Moore IDS Services

- | | |
|--|-----------------|
| 1. Construct mailing list of various target groups | per-name charge |
| 2. Provide variable imaging of letters | \$.75/letter |
| with varying messages to key target markets, | |
| depending upon goals to be accomplished | |
| 3. Maintain and update mailing list of | \$.10/name |
| target groups | |
| 4. Periodically survey target groups for changes | 2-4 weeks |
| in attitudes, needs, and alternatives and | |
| recommend revisions to plan | |

The market potential for a hypothetical package of services is summarized in Exhibit III-13. This hypothetical service package may not produce significant revenues for three reasons:

EXHIBIT III-13

Education: Component Charges of Hypothetical Package of Direct Mail Services

Enrollment	# 4-Yr. and 2-Yr. Priv.	Strategy Surveys	Initial Mlg. List	# Pcs/Yr. and Revenue	Mntn. Mlg. List	Per School Revenues	First Yr. Revenues	Subseq. Yr. Revenues
25,000 ⁺	2*	30,000	30,000	20,000 15,000	125,000 12,500	87,500	175,000	55,000
10,000 - 25,000	10*	20,000	20,000	15,000 11,000	100,000 10,000	61,000	610,000	210,000
<10,000	100	15,000	15,000	2,000 1,500	10,000 1,000	32,500	3,250,000	250,000

* Assumption: 5% of schools would purchase services.

Enrollment	# 4-Yr. and 2-Yr. Priv.	Strategy Surveys	Initial Mlg. List	# Pcs/Yr. and Revenue	Mntn. Mlg. List	Per School Revenues	First Yr. Revenues	Subseq. Yr. Revenues
25,000 ⁺	2**	30,000	30,000	20,000 15,000	125,000 12,500	87,500	175,000	55,000
10,000 - 25,000	7	20,000	20,000	15,000 11,000	100,000 10,000	61,000	4270,000	147,000
<10,000	60	15,000	15,000	2,000 1,500	10,000 1,000	32,500	1,950,000	150,000

* Assumption: 5% of schools would purchase services.

1. Penetration of the market may be low (5-7.5%) due to budget constraints.
2. Although first-year revenues are strong, subsequent years' revenues are only 8-31% of first year revenues.
3. The projections need to take into account a gradual increase of customers from a base of 0 (e.g., it might take 3 to 5 years to attract a full complement of customers).

f. Enhanced Service Opportunities Summary

After examining the seven enhanced services suggested by respondents, none seemed to provide significant opportunities for Moore IDS. Several reasons may account for this dearth of opportunities.

In contrast to for-profit sectors, and even the state and local government sector, there was no evidence of a consumer-oriented concept of providing more convenient services to constituents, providing better vehicles for delivering services, or using technology to streamline or improve services. These three trends which are evident in other vertical markets were hardly acknowledged here. Therefore, even when such services are offered to this segment, they are not highly valued and therefore, not purchased.

Rather, the major trend cited in this market was the continuing crunch for funds in the support departments which meant there was little hope for getting more equipment or more efficient equipment with which to cope with the tasks at hand. It is not surprising, then, that the enhanced services requested were not client-driven, but motivated by an interest in becoming more internally efficient. The Catch-22 is that although they may desperately need to increase office efficiencies, the support departments are the least equipped to do so because of the lack of funds.

In addition, the administrators who head the university and college support departments have a very limited knowledge of available alternatives and a limited understanding of how electronic solutions work. They are risk-averse and suspicious of "far out" solutions. Therefore, the missionary task would be enormous to sell solutions to this market.

Even when INPUT attempted to create a hypothetical solution to circumvent selling services to the support departments, it seemed that lack of funds would still plague any large-scale sales effort to the higher education market.

C

Application/Service Opportunity Sizing and Ratings

The previous section detailed the leading application opportunities, approaching the subject qualitatively. This section applies quantitative methodologies to place dollar values on each opportunity and to rate them on an absolute scale.

1. Opportunity Sizing and Ratings for Basic Services

Exhibits III-14 and III-15 present the raw data gathered on higher education departments. Because the raw numbers are dependent on the enrollment at a given institution, each response was converted to a standard unit of measure, # units per student population, and multiplied by the number of students in all institutions which provide the application, to reach the U.S. opportunity size potential.

Given the inappropriateness of market forecasting for these opportunities, INPUT is adopting a working assumption that equates the sizing of each basic service opportunity with the size of today's estimated annual expenditures for basic applications (see Exhibit III-16).

The formula for calculating dollar opportunities is based on an average number of units printed and mailed for each document type per student, derived from interview results and published data (see Exhibits III-14 and III-15).

The figures in Exhibits III-14 and III-15 are then used to calculate a relative attractiveness rating.

Multiplying the average number of units of each application per student by a Moore IDS-provided per-unit cost figure yields a figure for the total dollar opportunity size for each document type. INPUT is using a working assumption that unit pricing by Moore IDS is roughly equivalent to customers' in-house costs. Only 12 of the 29 applications were deemed appropriate opportunities for Moore IDS. The 17 applications with "N/A" or not applicable in the \$/unit column were considered unattractive because of the lack of variable-printing characteristics, sporadic nature of the job, or insufficient runs.

INPUT uses a standard rating methodology to factor the opportunity size previously calculated with two other key criteria extracted from the interviews: respondents' willingness to outsource operations and their level of pain or perception of problems, each with respect to a particular application.

A five-point rating scale was applied to each criterion where 1 indicates a response that is least attractive and a 5 indicates a most positive response.

EXHIBIT III-14

Education: Primary Applications Sizing

Department	Key Application	#/Year	# In Survey	Enrollment	#/Student Population	Instit	Potential U.S. Total (Thousands)
Admissions	Recruiting Pkg 1	contin. for 6 mo	30,000	8,000	4X	all	56,000
	Recruiting Pkg 2	same	30,000	8,000	4X	all	56,000
	Scheduling Visits	same	30,000	8,000	4X	all	56,000
	Admit Letters	1-4	10,000	8,000	1.25X	all	17,000
	Subtotal						185,000
Registrar	Schedules	4	2400/qtr	2,300	4X	all	56,000
	Registr'n Reminder	3	8000/qtr	8,000	3X	all	42,000
	Grade Reports	4	2400/qtr	2,300	4X	all	50,000
		4	8000/qtr & 1000/summer	8,000	3X	all	
	Housing	1+chgs	6000+1500	8,000	1X	4-yr and 2-yr private only	8,000
	Food Service	4	6000/qtr	8,000	3X	4-yr and 2-yr private only	24,000
	Parking Permits	4	1600/qtr & 600/summer	8,000	.7X	all	10,000
	Athletic Tickets	1	20,000/yr	40,000	.5X	4-yr and 2-yr private only	4,000
	Transcripts	contin.	250/mo	2,300	.1X	all	1,000
	Diplomas	1	2000	8000	.25X	all	3,000
	Subtotal						198,000
Bursar	Itemized fee billing	4x/qtr	25,000/yr	8,000	3X	all	42,000
	Subtotal						42,000
Financial Aid	Award Letter	contin for 6 mo.	10,000	4,000	2.5X	all	35,000
	Loan Repayment	12	20,000	40,000	2X	all	28,000
	Subtotal						63,000
Total							488,000

EXHIBIT III-15

Education: Secondary Applications Sizing

Department	Key Application	#/Year	# In Survey	Enrollment	#/Student Pop'n	Instit.	Potential U.S. Total (Thousands)
Alumni	Magazine/Newsltr	4	8,000	4,000	8X	all 4-yr & 2 - yr private	64,000
		3	16,000	8,000	6X	same	
		3	200	10,000	-	2-yr public	1,000
		6	400	10,000	.25X		
	Homecoming Invit	1	27,000	4,000	7X	all 4-yr & 2 - yr private	56,000
	Travel Offers	1	27,000	4,000	7X	same	56,000
	Ballots	1	27,000	4,000	7X	same	56,000
	Survey	1 every 2 years			3.5X	same	25,000
	Directory	1 every 5 years	11,000	4,000	3X	same	2,300
	Subtotal						260,300
Development	Alumni Solicit'n	3	27,000 20,000 15,000	4,000	7X 5X 4X	all 4-yr & 2 - yr private	128,000
		1 every 2 yrs	10,000	4,800	1X	2-yr public colleges	2,000
		1	5,000	10,000	.5X	2-yr public colleges	
	Corporate Solicit'n						?
	Donor Solicit'n	2	4,000	4,800	2X	2-yr public colleges	3,000
		2	1,500	7,000	.4X	same	
		1	800	10,000	.1X	same	
	Subtotal						133,000
Ticket Sales	Season tkt renewal	1	18,000	40,000	2X	*	23,000
	Bowl tkt subscript	1	18,000	40,000	2X	*	23,000
	Ticket mailing	1	18,000	40,000	2X	*	23,000
	Subtotal						69,000
Commun Ed'n	Class schedule	3	170,000	14,000	36X	2-yr public colleges	154,000
	Subtotal						154,000
Continuing Ed'n	Direct mail solicit'ns	contin.	3,000,000	40,000	35X	4-yr colleges**	220,000
							220,000
Subtotal							
TOTAL							836,300

EXHIBIT III-16

Education: INPUT Estimates of Basic Opportunity Size and Total Annual Expenditures on the Activity

Methodology:

- Obtained volumes (units printed and mailed) of each key application for higher education departments from interviewees
- Calculated units per number of students within the institution interviewed for each application to make volumes comparable for all U.S. colleges and universities, not just those surveyed
- Averaged units per students where more than one institution was surveyed on a comparable application
- Multiplied by the approximate U.S. student population within the institutions which had the particular application, to project total units for the U.S. higher education market
- Obtained price per unit from Moore IDS
- From above figures, determined total \$ opportunity

Formula:

$$\text{\$ Opportunity} = (\text{Avg mailed units per year} \times \text{students at univ}) \times (\text{appropriate student pop'n}) \times (\text{\$ price per unit})$$

Relative size ratings were determined based on the scale below. The rationale for applying this scale to the size of the application is that the larger the application opportunity, the greater the strategic interest to Moore IDS.

\$ Size (in millions)	Rating
1-99	1
100-299	2
300-699	3
700-999	4
1,000+	5

The final column in Exhibits III-17 and III-18, attractiveness rating, was derived from the formula:

$$\text{relative size} \times \text{willingness to outsource} \times \text{level of pain/problem} = \text{attractiveness rating}$$

The product of this formula represents the attractiveness of each application to Moore IDS. Please note an important implication of this methodology. While the highest relative rating possible is 125 (5 x 5 x 5), three moderate ratings of 3 each yields a product of only 27. This is clearly not 50% of the top rating or 125. Therefore, opportunities which are totally positive to Moore IDS's interests on all three scales are far superior to opportunities which are only moderately positive on all scales.

Far and away the single largest application was alumni directories (10 points). Alumni directories had the highest attractiveness rating for two reasons: colleges and universities were very willing to contract out this job, including the sales tasks, to specialized vendors, and the per unit price is many times greater than any other application. Alumni directories represent a \$168 million market.

Other higher education departments which had applications with attractiveness ratings greater than zero were:

- **Development**—alumni solicitation letter (8 points)
- **Athletic Department**—ticket mailing (2 points)
- **Alumni**—ballots (1 point)
- **Admissions**—recruiting letter and postcard to schedule visits (1 point)
- **Registrar**—grade reports, registration reminder, housing assignments (1 point)
- **Bursar**—itemized fee billing (1 point)
- **Financial Aid**—award letter, loan repayment (1 point)

Other than alumni directories, the remainder of opportunities were marginal for several reasons. The major reason can be seen in Exhibit III-19: of 12 applications which Moore IDS designated as being appropriate to their strengths and capabilities, only one or possibly two applications are outsourced.

In addition to being unwilling to outsource these operations, these applications provide limited economic opportunity. In addition, these departments felt virtually no level of pain. They are content to continue with in-house operations as they have for decades.

After the alumni directory, the most favorable application, alumni solicitation letters from the development office have the second highest attractiveness rating, largely because this department has the highest level of pain and may be willing to outsource. Although at present most

EXHIBIT III-17

Education: Relative Attractiveness Ratings of Basic Services Opportunities (Primary)

Application Opportunity (\$ Millions)					Criteria Ratings 1 = negative; 5 = positive		
Department	Thousands	\$/Unit	\$ Millions	Relative Size	Willing to Outsource	Level of Pain	Attractiveness Rating
Admissions							
Recruiting Letter	56,000	.22	12.3		4	1	
Recruiting Brochure	56,000	N/A	0		4	1	
Scheduling Visits	56,000	.19	10.6		1	1	
Admit Letters	17,000	N/A	0		1	1	
Subtotal	185,000		22.9	1	1	1	1
Registrar							
Student Schedules	56,000	N/A	0		1	1	
Registr'n Reminder	42,000	.19	8.0		1	1	
Grade Reports	50,000	.62	31.0		1	1	
Housing	8,000	.40	3.2		1	1	
Transcripts	1,000	N/A	0		1	1	
Diplomas	3,000	N/A	0		1	1	
Subtotal	160,000		42.2	1	1	1	1
Bursar							
Itemized fee billing	42,000	.24	10.1		1	1	
Food Service	24,000	N/A	0		1	1	
Parking Permits	10,000	N/A	0		1	1	
Subtotal	76,000		10.1	1	1	1	1
Financial Aid							
Award Letter	35,000	.30	10.5		1	1	
Loan Repayment	28,000	.62	17.4		1	1	
Subtotal	63,000		27.9	1	1	1	1
Total	484,000		103.1				4

EXHIBIT III-18

Education: Relative Attractiveness Ratings of Basic Services Opportunities (Secondary)

Application Opportunity (\$ Millions)					Criteria Ratings 1 = negative; 5 = positive		
Department	Thousands	\$/Unit	\$ Millions	Relative Size	Willing to Contract	Level of Pain	Attractiveness Rating
Alumni							
Magazine/Newsltr	65,000	N/A	0		5	1	
Homecoming Invit	56,000	N/A	0		5	1	
Travel Offers	56,000	N/A	0		5	1	
Ballots	56,000	.24	13.4		1	1	
Directory	2,300	35	80.0		5	1	
Survey	25,000	3.50	88.0		5	1	
Subtotal	260,300		181.4	2	5	1	10
Development							
Alumni Solicit'n	130,000	.24	31.2		2	4	
Corporate Solicit'n	?	N/A	0		1	4	
Donor Solicit'n	3,000	N/A	0		1	4	
Subtotal	133,000		31.2	1	2	4	8
Ticket Sales							
Season tkt renewal	23,000	N/A	0		4	1	
Bowl tkt subscript	23,000	N/A	0		4	1	
Ticket mailing	23,000	.38	8.7		2	1	
Subtotal	69,000		8.7	1	2	1	2
Commun Ed'n							
Class schedule	154,000	N/A	0		5	1	
Subtotal	154,000		0	0	5	1	0
Continuing Ed'n							
Solicit'n letters	220,000	N/A	0		1	1	
Brochures	220,000	N/A	0		4	1	
Subtotal	220,000		0	0	2.5	1	0
TOTAL	836,300		221.3				20

EXHIBIT III-19

Education: Potential of Moore IDS-Appropriate Applications

Application	Potential U.S. Revenues (\$MM)	Moore IDS Opportunity	Willing to Outsource
Alumni Solicitation Letter	31.2	YES	MAYBE
Athletic Tickets	8.7	YES	YES
Ballots	13.4	YES	NO
Recruiting Letter	12.3	YES	NO
Postcard to Schedule Visits	10.6	YES	NO
Grade Reports	31.0	YES	NO
Registration Reminder	8.0	YES	NO
Housing Assignments	3.2	YES	NO
Itemized Fee Billing	10.1	YES	NO
Financial Award Letter	10.5	YES	NO
Loan Repayment	17.4	YES	NO
Total	156.4		

development offices insist upon keeping this task in-house, they seemed to recognize the value of outside counsel and advice. If direct mail solicitations were more successful, these officers might be willing to pay for the service. This option will be examined in more detail in the enhanced services section.

The next most favorable application was in athletic ticket sales. Printing of tickets is a specialized job which approximately 100 of the largest universities and, to a lesser extent, approximately 800 of the next-largest universities require and are willing to contract out. This represents a viable, but very small (only about \$9 million) market for Moore IDS.

2. Opportunity Sizing and Ratings for Enhanced Services

The respondents suggested a limited number of enhanced services (see Exhibit III-11). However, none of the suggested services had practical value (see sections III.B.2.a through III.B.2.e for a complete discussion of the options). In addition, most electronic-based services suggested to the respondents as potential time-savers (such as OCR/bar code, electronic transfer of funds, and use of telephone symbols to request or provide information over the phone), were rejected as being “unfeasible” or “too futuristic”.

In order to maintain consistency across vertical reports, therefore, Exhibit III-20 serves as a placeholder for examining the opportunity size for enhanced services.

EXHIBIT III-20

Education: Relative Attractiveness of Enhanced Services Opportunities

Application Opportunity (\$ Millions)					Criteria Ratings 1 = negative; 5 = positive		
Department	Thousands	\$/Unit	\$ Millions	Relative Size	Willing to Outsource	Level of Pain	Attractiveness Rating
Admissions	0						
Registrar	0						
Bursar	0						
Financial Aid	0						
Alumni	0						
Development	0						
Ticket Sales	0						
Commun Educ	0						
Contin Educ	0						
Total	0						

None Identified

D

Recommendations

INPUT offers some brief recommendations and caveats for Moore IDS' attention and action. (See Exhibit III-21.)

This might be a very difficult market to penetrate because of the current satisfaction level and the low level of change and improvement. Often the introduction of a new process or technology is an excellent way to enter a previously closed or saturated market. Even this preliminary way to open the door may not exist in the higher education market.

EXHIBIT III-21

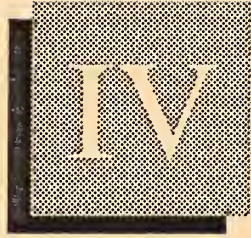
Education: Recommendations for Basic and Enhanced Services Opportunities

- **Basic Services**

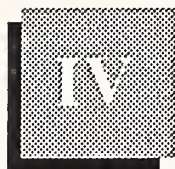
- Despite the large number of potential applications (28), only 13 were applicable to Moore IDS's capabilities and strategic direction. These 13 applications reduce the initial potential volume of 1.3 billion pieces of mail to 400 million pieces (31% reduction).
- Alumni directories and alumni surveys provide the lion's share of opportunity in the higher education market (approximately \$168 million). Two reasons these applications are so attractive are: higher education institutions are very willing to contract out this function and the per-unit cost for each application is high.
- All other applications taken together represent only about 48% of the higher education market. Colleges and universities, for the most part, are unwilling to contract out these applications. They also see no problems with the systems they currently have. Moore IDS is faced with the further difficulty of having to sell these services to six different departments. This fragmentation may create basic service markets too small to permit a reasonable return on investment.

- **Enhanced Services**

- The enhanced services of increased data base capabilities, deliverability of mail, additional expertise in direct mailing functions, screening applicants and instant data transfer were suggested by respondents.
- Each option was examined for potential in the higher education market via a series of assumptions and constructed scenarios. Although all enhanced services were feasible with current technology, few offices currently employ them and few respondents were willing to outsource them in the future.
- The enhanced services market may be too small to permit a reasonable return on investment. Further impediments to developing the market are insufficient funds, limited knowledge of enhanced service alternatives or their benefits, and risk-averse decision makers.



Implementing Enhanced Services: Sales/Delivery Mechanisms Required



Implementing Enhanced Services: Sales/Delivery Mechanisms Required

Because INPUT is not recommending that Moore IDS pursue any enhanced services, no new sales/delivery mechanisms are required.

A

Sales Requirements	None required.
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B

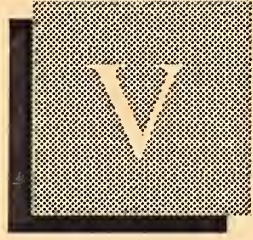
Printing and Mailing Equipment Required	None required.
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C

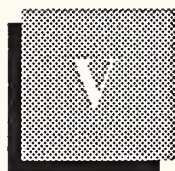
Information Services Technologies Required	None required.
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D

Potential Alliances/ Acquisitions	None suggested.
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Other Observations



Other Observations

A

Data Processing and Information Services Issues

There are over 3,300 institutions of higher education, with a wide range of information systems in various departments—from archaic, 1960s vintage equipment to the latest sophisticated, on-line mainframe and supercomputer systems using advanced systems and software.

The overriding issue facing higher education information service programs continues to be budgetary concerns. For publicly financed colleges and universities, key state and federal funding sources have remained flat in recent years due to budget balancing concerns at both levels of government. For privately funded institutions, boosts in tuition have helped counteract the trend toward flattening enrollment growth. The greater support required by departments which conduct such administrative marketing activities as student recruitment and solicitation of alumni donations has not yet been granted by the university in terms of resources or funds provided.

The commercial sector has outpaced the development of information services in the education sector due, in part, to budget limitations. This technology lag has also resulted from the historical lack of competitive impetus generated by free market forces.

Despite forces which make higher education institutions increasingly competitive with one another, the impetus in this direction in support departments is rather slow. These departments are still not being run like for-profit businesses with accountability for productivity and efficiencies of operation.

Institutional interest in reducing the gap between funding sources and rising costs has dramatically increased interest in revenue-generating activities such as alumni affairs, development, continuing education and community education. The amount of mail generated in these departments has increased in the last five-to-ten years and it will be an area of continued growth in the future. Currently, there is almost a frenzy in trying to hire low-cost part-time, full-time or consulting expertise to increase success in direct mail solicitations.

This trend has not yet produced a notable increase in in-house capabilities to run new systems, develop networks, install data base management systems, develop office automation systems, and conduct planning studies; but most offices have plans to do so within the next one-to-five years. If the newest administrators to assume responsibilities in alumni and development affairs are an indication, these officials will be demanding the ability to make inquiries, manipulate stored data, and communicate between related support departments. However, these managers are no more business-oriented or technologically adept than their predecessors. The use of new technologies such as networks, relational data management, voice response, and bulk data transmission, viewed as important in meeting service requirements in other markets, are virtually unknown here. Special training and basic education in technology options will be a major factor in successful implementation of programs in the higher education field.

B

Environmental Threats and Opportunities

A number of current trends have been identified (see Exhibit V-1).

Each trend in Exhibit V-1 could be classified as a threat or an opportunity for increasing the amount of work contracted to vendors. The determination of which label to apply to each trend was based upon the interviewer's judgment. When respondents cited "recent purchase of new equipment" as the reason for NOT contracting business mailing functions, it was classified in the "threat" category. When respondents mentioned they would consider contracting business in the future because they were being overwhelmed with greatly increased mailing intensity, this was classified as an opportunity.

The increasing importance of revenues raised via direct mail and telephone solicitation campaigns in college alumni and development offices may provide greater opportunities for Moore IDS in the future. Moore IDS's strengths are well-suited to the demands of this market: knowledge of technology options, expertise in formulating a strategic program; and ability to offer a total program to clients including creative services, data base management, and variable-image printing and mailing services.

EXHIBIT V-1

Education: Environmental Threats and Opportunities

Threats	<p>Academic support departments are slowly investing in replacing archaic systems with improved, simple PC-based in-house system capabilities</p> <p>Departments are sensitive about releasing confidential data on students, donors, and alumni</p> <p>Departments are not yet driven by constituents' needs, nor striving to deliver services more efficiently or more conveniently</p>
Opportunities	<p>There is a growing gap between government funding and budgets, hence, greater development efforts are required</p> <p>Competition for students is increasing</p> <p>Mailing intensity has increased in attempts to communicate with constituent audiences particularly in alumni and development, continuing education and community education, all revenue-generating activities</p> <p>Two-year public colleges are setting up alumni and development departments where none formerly existed</p> <p>Administrators are demanding increased system capabilities: the ability to make inquiries, manipulate stored data, and communicate between departments</p> <p>New technologies such as networks, relational data management, voice response, and bulk data transmission are becoming more affordable</p> <p>Department heads still not aware of options or capable of running sophisticated automated processes in-house</p> <p>Computer and technology sophistication is low among staff members. Special training is still required from vendors.</p>

C

Nature of the Market

1. Primary Applications

The underpinnings of the higher education market for basic applications militate against this market becoming a significant one for Moore IDS for a number of reasons:

- First, two of the three major factors which determine the size of a viable market opportunity are not favorable in the higher education market and they are not expected to change in the foreseeable future. They are: (1) frequency of service (many applications are processed only 2 to 4 times a year); and (2) the cost of service (most services are under \$.40).
- Second, although the respondents were willing to outsource some of the basic (printing and mailing) operations, they did so only sporadically and they outsourced the very projects which are most unattractive to Moore IDS (small run, nonvariable imaging). There was a strong reluctance to outsource any of the enhanced (front- or back-end processing) services. This attitude is not expected to change.
- Third, the perception of the “level of pain” of the problem was exceptionally low for almost all applications.

One reason this market may not have as many robust opportunities as other vertical markets is that the major mailings which involve variable imaging are **not at the core** of the university’s mission. The academic departments are centers of dynamic change and research and garner significant resources with which to attract the most talented professors and students, and to create the most advanced environment in which to pioneer new knowledge. The support departments receive the dregs—the leftover funds and resources after the academic departments are satisfied. Under this circumstance, these departments have very limited budgets with which to employ sufficient staff and equipment, and there is little attention paid to them. They are not agents of dynamic change in their environments. They are viewed as performing perfunctory clerical functions.

It is true that the academic arena is becoming more competitive—but in the areas of attracting more prestigious professors and more qualified students, not necessarily in the support services.

Ordinarily, Moore IDS could create growth in a market by delivering a new product which delivered substantial benefits to the customer. In this market, there is a very poor awareness of alternative products and services, or what benefits might accrue from them. And, because of tight, fixed budgets, even if there was high awareness of a beneficial invention, it might not be purchased.

There is an unusually strong resistance to new technology, typified by such comments as "Evaluating new technology is not our job. We are in a people business. The breakthroughs won't come from electronics, but from more personal attention to our constituencies"; "Our constituency (alumni) won't understand how to use [the new technologies you are proposing]." Although these comments suggest that other parties wouldn't be able to adjust to new technologies, the underlying truth is that the administrators don't understand and don't feel comfortable with the technologies.

In addition, the willingness to contract out services and the perception of the "level of pain" of the problem were exceptionally low for almost all applications. Of all the questions posed, the willingness to contract services extracted the strongest responses. The interviewer subjectively rated such qualitative factors as the verbatim responses, the tone of voice, and the decibel level at which they were delivered both absolutely and in relation to responses to other questions.

2. Secondary Applications

The one department which is the exception to lack of change and no level of pain is the alumni and development department in 2-year colleges. First, it is necessary to delineate the key differences between 2-year public schools and 4-year colleges, to determine how these differences affect fundraising activities, what fundraising efforts have been successful, and how Moore IDS might serve this population.

The major difference between 2-year public schools and 4-year institutions is the composition of the student population. Four-year colleges are training grounds for various professions. Community colleges are trying to remedially improve the skills of or to provide a lower-priced alternative for three primary groups:

- Immigrants who, even though they have strong math and science backgrounds, have insufficient English language skills
- High school students who, even though they have bona fide degrees, are still deficient in basic skills, or who simply cannot afford tuition at a four-year institution for all four years

- Workers who have been in the labor force for some time but need to be retrained because of advances in technology or displacement by computers and automation

Identifying the groups which comprise the student population and the students' motivations can help predict later participation in alumni affairs. The groups mentioned above are usually not heavily invested in the community college. They consider their attendance as "a job", they do not participate in extracurricular activities, do not take the opportunity to meet many fellow students, and most, as commuters, usually leave directly after classes. They either go on to earn a 4-year college degree elsewhere and consider that school their alma mater, or they move out of town and don't stay in touch or contribute to the alumni fund later on.

A fair number of community colleges have had alumni and development departments for years. Some have just started them. Most 2-year college development departments offer limited activities and do not raise as much money, proportionately, as 4-year colleges. For example, 70 of the 107 community colleges in the California community college system have development offices. However, 20 of these colleges together raised only \$21 million in 1988. These efforts do not compare very favorably with the efforts of one 4-year Kansas university which raises \$21 million annually, or the University of California at Berkeley, which raises \$65 million annually.

One midwest community college which founded its development department just two years ago, started with an endowment fund of \$10,000. It grew to \$30,000 last year, it currently stands at \$70,000, and is expected to reach \$120,000 next year. The original \$10,000 came from one donor. Annual donations to this college are made primarily by two business groups: auto dealers and dentists, because the school has two unusually strong programs which graduate excellent students in these fields.

A western community college received a gift from one donor which comprised 51% of the endowment fund. The fund has experienced a 300% increase over the last 2 years, primarily from individual contributions from the community, thus moving it from 20th place to 12th place in the state's community college system in terms of total revenues raised. The development director accomplished these goals by cultivating an attitude of community involvement and "ownership", by recruiting prominent business leaders to set up advisory committees, developing a major endowment campaign with corporate support, and improving the college's image in the surrounding community through good public relations.

Community colleges are seeking ways to increase the funds raised from their alumni, or are seeking other donors. One development director is working with students while they are still on campus to encourage their participation in student government, and thus develop their loyalty and commitment to the school when they become alumni. Another development director was skeptical that his college could develop an adequate alumni base of donors for the reasons mentioned above. This director has redefined his key constituency not as the alumni, but as the local business community, and concentrates his fundraising efforts on this group.

Although all colleges are unique in their specific development plans, there is a pattern which distinguishes colleges with the most successful development strategies from other schools. The successful schools do four things:

1. Recognize key strengths of the college
2. Identify key constituencies
3. Develop programs and services with the college's strengths in mind, but carefully tailored to these constituencies to give them the benefits they want most
4. Maintain constant contact with the constituencies

For example, the College of the Desert in California is one of the few sources of recreation in town. It offers access to a golf course to town residents in exchange for funds with which to support other collegiate activities. Long Beach Community College has a very strong music program. It offers concerts of a professional caliber to the community and relies on the appreciative audience for donations throughout the year. For the contribution of \$1000, 100 prominent businessmen are given the privilege of attending a leadership breakfast once a month to meet with other prominent businessmen, under the auspices of one community college.

Despite the energy and enthusiasm development directors exude, they are still working with antiquated equipment and poorly developed data bases. They are not knowledgeable about technological options and, at any rate, see themselves as being in the people business, not the electronic business.

Although there is much change and excitement in 2-year college development offices, given the still limited budgets, it is difficult to determine how Moore IDS might profitably serve this client population.

D**Competition**

As has been mentioned previously, there is little use by those interviewed for outside vendors for their respective applications. The critical competition for Moore IDS, both for basic and enhanced service opportunities, is the in-house organization. All organizations have or are in the process of upgrading in-house data base capabilities and systems equipment and software. Contracting out tasks would undermine the rationale for making major investments in new equipment.

Some interviewees mentioned that even if their own departments could not handle an entire task, they had a second line of backup. They relied on the printing and mailing capabilities of the central university facility. Thus, in the higher education sector, Moore IDS has a strong competitor: in-house organizations.

The only other type of competitors mentioned were local firms which stuffed and sorted the bulk mail.

